

# JOINT BUDGET COMMITTEE



## STAFF FIGURE SETTING FY 2018-19

## INFORMATION TECHNOLOGY COMMON POLICY

JBC WORKING DOCUMENT - SUBJECT TO CHANGE  
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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# CONTENTS

IT Common Policy Overview.....	1
Summary of Staff Recommendations.....	3
Description of Incremental Changes.....	3
Recommended IT Common Policy Agency Appropriations .....	6

## HOW TO USE THIS DOCUMENT

This document includes a summarization of the information technology common policy, including an overview of how rates are determined for the various services provided by the Governor's Office of Information Technology to state agencies. The next section of the document includes a summary of the staff's recommendations of changes from FY 2017-18 to FY 2018-19 for the Office's base recoverable costs. The final section of the document provides staff's recommendations for appropriations to state agencies to cover the costs of the services provided by the Office.

## IT COMMON POLICY OVERVIEW

The Governor's Office of Information Technology (OIT) provides services to state agencies on a cost reimbursement basis, with OIT acting as a vendor. The services offered include, but are not limited to:

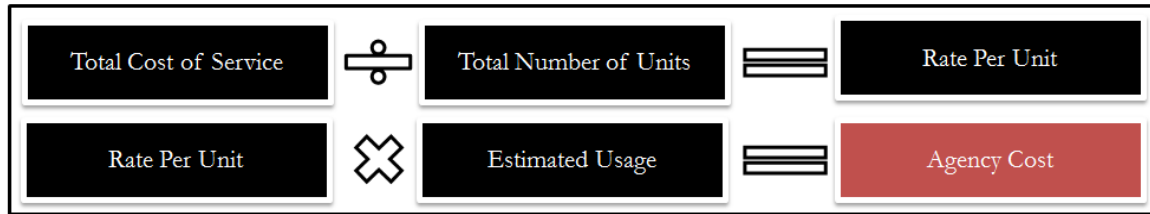
SERVICES PROVIDED BY OIT TO STATE AGENCIES		
Mainframe Computing	Enterprise Email - Archive	Colorado State Network (CSN) Circuits
Agency Mainframe Support	Enterprise Service Desk	Colorado State Network (CSN) CORE
ADABAS	Enterprise Deskside Support	Security - Access Control
Middleware	DBA Services	Security - Governance & Compliance
Enterprise Data Center Housing	Enterprise KRONOS	Security - Operations
Server Hosting	CORE (alias COFRS & FDW)	Secure Colo
MF Disk Storage	CPPS & HRDW	DTR/Public Safety Network
MF Virtual Tape Storage (VTS)	Electronic Data Warehouse (EDW)	Project Management Services
Server Storage	Contract Mgmt System (CMS)	Portfolio Mgmt Services - Portfolio Mgrs
Enterprise Email	Colorado Grants Mgmt System (COGMS)	Project Coordinators
Enterprise Email - Encryption	Agency LOB Applications	IT Directors

Each service offered by OIT to agencies has a mixture of costs associated with its delivery. These costs include:

COSTS ASSOCIATED WITH SERVICE DELIVERY
Personal services
Operating expenses
Centrally appropriated line items
Overhead
Division strategy and management
Unit strategy and management
Depreciation
Contract and financial obligations

The appropriations needed to support these costs for each service offered by OIT are determined by the Joint Budget Committee during figure setting. The appropriations appear in the Long Bill in the OIT division as reappropriated funds (spending authority for moneys transferred to OIT from other State agencies). The revenue needed to support OIT's spending authority is derived from direct appropriations made to state agencies each year in a "Payments to OIT" line item that appears in the Long Bill for each agency.

The cost to each agency for services provided by OIT is based on a service-by-service rate structure whereby the total cost for OIT to provide the service across the state is divided by the total number of units of that service. This calculation generates a rate per unit. The cost to each agency is based on its anticipated consumption of a service's unit of measurement multiplied times the established rate. OIT bills each agency on a monthly basis for 1/12<sup>th</sup> of the full amount of the agency's appropriation in its Payments to OIT line item.



OIT submits an annual request to the Joint Budget Committee that includes the following components:

- Requested total costs associated with the delivery of each service;
- Requested total cost allocations to each state agency for each service; and
- Requested prior year true-up for each service to rectify any discrepancies between the amount of money an agency was charged for a service and the amount of the service the agency actually consumed in a prior fiscal year.

## SUMMARY OF STAFF RECOMMENDATIONS

IT COMMON POLICY BASE PAYMENTS TO OIT LINE ITEMS	
FY 2017-18 PAYMENTS TO OIT LINE ITEM APPROPRIATIONS	
SB 17-254 (Long Bill)	\$149,601,335
Other legislation	238,201
Supplemental bill changes	278,356
<b>TOTAL FY 2017-18 PAYMENTS TO OIT LINE ITEM APPROPRIATIONS</b>	<b>\$150,117,892</b>
FY 2018-19 RECOMMENDED PAYMENTS TO OIT LINE ITEM APPROPRIATIONS	
FY 2017-18 Payments to OIT Line Item Appropriations	\$150,117,892
Prior year forecasted costs true-up	6,386,776
Centrally appropriated line items*	3,001,692
Depreciation	2,997,851
Common policy billing additions	2,478,569
Compensated absences	63,226
Annualize prior year budget actions	(9,232,478)
Annualize prior year legislation	(180,805)
Contract changes	(141,243)
Indirect cost assessment	(17,522)
<b>TOTAL</b>	<b>\$155,473,958</b>
<b>INCREASE/(DECREASE)</b>	<b>\$5,356,066</b>
Percentage Change	3.6%
<b>FY 2017-18 EXECUTIVE REQUEST</b>	<b>\$155,473,958</b>
Request Above/(Below) Recommendation	\$0

\*The recommendation shown here includes the requested amount for a salary survey increase of \$2,410,514 for FY 2018-19 and the corresponding changes in PERA funding and short-term disability coverage. The Joint Budget Committee has not yet taken action on the salary survey request. Staff will incorporate the Committee's decision into the Long Bill.

## DESCRIPTION OF INCREMENTAL CHANGES

**PRIOR YEAR FORECASTED COSTS TRUE-UP:** The recommendation includes an increase of \$6,386,776 total funds to rectify discrepancies between the amount of money agencies were charged for services and the amount services consumed in prior fiscal years. For FY 2017-18, this amount equaled a reduction of \$4,099,601 total funds based on FY 2015-16 actual consumption levels. For FY 2018-19, the recommendation equals an increase of \$2,287,175 total funds based on FY 2016-17 actual consumption levels and FY 2015-16 actual consumption levels not captured in the FY 2017-18 Long Bill. The difference between the adjustments made in FY 2017-18 and the adjustments recommended for FY 2018-19 results in an increase of \$6,386,776 total funds.

**CENTRALLY APPROPRIATED LINE ITEMS:** The recommendation includes an increase of \$3,001,692 total funds for FY 2018-19 for adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; salary survey; shift differential; workers' compensation; legal services; payment to risk management and property funds; vehicle lease payments; leased space; Capitol complex leased space; and CORE operations. The following table itemizes each recommended change for FY 2018-19.

CENTRALLY APPROPRIATED LINE ITEMS	
	TOTAL FUNDS
Salary survey adjustment*	\$2,410,514
Health, life, and dental adjustment	520,701
AED adjustment**	123,193
SAED adjustment**	123,193
Legal services adjustment	8,050
Shift differential adjustment	6,797
CORE adjustment	6,212
Vehicle lease adjustment	894
Workers' compensation adjustment	(114,146)
Payment to risk management / property funds adjustment	(49,579)
Capitol Complex leased space adjustment	(23,228)
Short-term disability adjustment**	(10,909)
<b>Total</b>	<b>\$3,001,692</b>

\*The recommendation shown here includes the requested amount for a salary survey increase of \$2,410,514 for FY 2018-19. The Joint Budget Committee has not yet taken action on this request. Staff will incorporate the Committee's decision into the Long Bill.

\*\*A portion of the recommended changes shown here includes the impact of the requested salary survey increase. If the Joint Budget Committee takes action on the salary survey request and provides an amount differing from the request, staff will incorporate the corresponding fiscal impact to these items into the Long Bill for these items.

**DEPRECIATION:** The recommendation includes an increase of \$2,997,851 total funds for FY 2018-19 to capitalize assets. Capitalizing assets is an accounting method used to delay the recognition of expenses by recording the expense as a long-term asset. In general, OIT capitalizes expenses when it is recorded as an asset, due to its future value, on the balance sheet rather than an expense on the income statement. For FY 2017-18, the information technology common policy included the depreciation amount of \$2,044,420. The increase over this amount for FY 2018-19 is due to the planned capitalization of the HRWorks project as an asset.

**COMMON POLICY BILLING ADDITIONS:** The recommendation includes an increase of \$2,478,569 total funds for FY 2018-19 to account for services most recently covered by the fund balance in the Information Technology Revolving Fund. The balance originated from General Fund appropriations to state agencies transferred to OIT via the information technology common policy that OIT did not expend due to the implementation of cost savings measures. Pursuant to S.B. 17-255 (Technology Advancement And Emergency Fund), such unexpended General Fund money is instead transferred to the Technology Advancement and Emergency Fund to cover one-time costs associated with emergency information technology expenditures, to address deferred maintenance of state agency information technology assets, and to provide additional services to address unforeseen service demands.

**COMPENSATED ABSENCES:** The recommendation includes an increase of \$63,226 total funds for compensated absences for FY 2018-19. OIT maintains a pool of funds (\$221,455 for FY 2017-18) to cover the costs associated with absences for which employees will be paid, such as vacation and sick leave, upon severance from employment. This recommendation increases the amount of funds to be collected from state agencies for this purpose as compared to FY 2017-18.

**ANNUALIZE PRIOR YEAR BUDGET ACTIONS:** The request includes a decrease of \$9,232,478 total funds for FY 2018-19 related to prior-year budget actions (decision items). The following table itemizes each recommended annualization for FY 2018-19.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS	
	TOTAL FUNDS
Annualize FY 2017-18 Deskside staffing decision item (OIT)	\$43,583
Annualize FY 2017-18 Administrative courts electronic case management system decision item (DPA)	16,429
Annualize FY 2017-18 Human Resources Information System supplemental (OIT)	(7,028,938)
Annualize FY 2017-18 Tax system maintenance, support, and hosting decision item (DOR)	(1,418,292)
Annualize FY 2017-18 Benefits Utilization System (BUS) decision item (HCPF)	(325,000)
Annualize FY 2017-18 Security supplemental (HCPF)	(278,356)
Annualize FY 2016-17 End user configuration management tool decision item (OIT)	(174,404)
Annualize FY 2017-18 Telephone replacement decision item (DOR)	(67,500)
<b>TOTAL</b>	<b>(\$9,232,478)</b>

**ANNUALIZE PRIOR YEAR LEGISLATION:** The request includes a decrease of \$180,805 total funds for FY 2018-19 related to prior-year legislation. The following table itemizes each recommended annualization for FY 2018-19.

ANNUALIZE PRIOR YEAR LEGISLATION	
	TOTAL FUNDS
HB 17-1057 Interstate Physical Therapy Licensure Compact (DORA)	\$80,000
HB 17-1326 Justice Reinvestment Crime Prevention Initiative (DOC)	(103,824)
HB 17-1326 Justice Reinvestment Crime Prevention Initiative (DOLA)	(41,696)
HB 16-1047 Interstate Medical Licensure Compact (DORA)	(41,200)
HB 17-1313 Civil Forfeiture Reform (DOLA)	(38,662)
HB 17-1165 DORA Boards Disciplinary Action Resolution Process (DORA)	(20,000)
HB 17-1221 Gray Market Enforcement (DOLA)	(15,423)
<b>TOTAL</b>	<b>(\$180,805)</b>

**CONTRACT CHANGES:** The recommendation includes a decrease of \$141,243 total funds for FY 2018-19 to account for a variety of small changes in the amounts paid by OIT for a variety of services and infrastructure provided by external vendors

**INDIRECT COST ASSESSMENT:** The recommendation includes a decrease of \$17,522 total funds for FY 2018-19 consistent with the OIT's statewide indirect cost assessment.

## RECOMMENDED IT COMMON POLICY AGENCY APPROPRIATIONS

Staff recommends an appropriation of \$155,473,958 total funds across all state agencies to cover the OIT's recoverable costs for FY 2018-19. These appropriations will appear in each agency's Payments to OIT line item. The following tables summarize the recommended appropriations by agency.

Additionally, the fund source allocations shown in the table below are based on estimates of available funds from the four sources. Staff requests permission to adjust these fund sources on an agency-by-agency basis during the Long Bill drafting process. Historically, these adjustments are made to account for fund source availability, an agency's ability to offset General Fund appropriations with other fund sources, or other financing structures that may be in place within an agency for financing centrally appropriated line items.

Note, the following recommended appropriations do not include other decision items that impact the Payments to OIT line item in each agency. The appropriations shown below cover only the base information technology common policy for FY 2018-19 that is included in agency Payments to OIT line items.

RECOMMENDED FY 2018-19 BASE PAYMENTS TO OIT LINE ITEM APPROPRIATIONS					
AGENCY	TOTAL	GF	CF	RF	FF
Agriculture	\$1,501,920	\$1,076,403	\$425,516	\$0	\$0
Corrections	21,643,108	21,515,481	127,627	0	0
Education	637,079	325,433	3,953	307,692	0
General Assembly	70,133	70,133	0	0	0
Governor	(274,781)	(1,860)	0	(272,921)	0
Health Care Policy and Financing	4,979,717	2,104,896	384,968	0	2,489,854
Higher Education*	475,659	106,879	333,875	34,905	0
Human Services	28,692,092	15,478,108	0	13,213,984	0
Judicial	4,527,616	4,527,616	0	0	0
Labor and Employment	11,866,050	2,716,383	4,741,429	368,961	4,039,276
Law	536,386	153,637	76,676	291,567	14,505
Local Affairs	1,913,055	338,130	648,170	582,198	344,557
Military and Veterans Affairs	454,552	454,552	0	0	0
Natural Resources	14,532,138	2,415,691	11,173,723	806,279	136,445
Personnel	4,607,561	1,395,032	437,747	2,774,782	0
Public Health and Environment	10,097,677	1,858,936	0	8,238,741	0
Public Safety	10,925,162	2,931,898	4,958,046	3,018,171	17,048
Regulatory Agencies	3,306,724	129,324	3,177,400	0	0
Revenue	16,203,622	10,299,467	5,904,156	0	0
State	301,282	0	301,282	0	0
Transportation	18,418,624	0	18,418,624	0	0
Treasury	58,582	56,284	2,299	0	0
<b>TOTAL</b>	<b>\$155,473,958</b>	<b>\$67,952,423</b>	<b>\$51,115,491</b>	<b>\$29,364,359</b>	<b>\$7,041,685</b>

\*This recommendation does not include \$476,155 for unappropriated Higher Education funds to be collected by the Office of Information Technology.